GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:233
ANSWERED ON:18.03.2005
AUTONOMY TO BANKS
Sethi Shri Arjun Charan;Singh Shri Uday

Will the Minister of FINANCE be pleased to state:

(a) whether a new autonomy package has been announced for the public sector banks;

(b) if so, the details thereof;

(c) the impact on NPA and FDI as a result of greater autonomy;

(d) whetherthe precaution has been taken by the Government for safety of public money while granting greater operational freedom to public sector banks; and

(e) if so, the details thereof?

Answer

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM):

(a), (b), (d) and (e) Yes, Sir, After due consideration a package on Management and Operational Autonomy to Public Sector Banks has been announced on 22.02.2005. These autonomy measures inter alia include the following:

(i) Pursue new lines of business as part of overall business strategy.

(ii) Make suitable acquisition of companies of businesses, close/merge unviabfe branches, open overseas offices, set up subsidiaries and exit a tine of business.

(iii) Decide all Human Resource issues relating to the Bank, including staffing pattern, recruitment, placement, transfer, training, promotions, etc.

(iv) Prescribe standards for categorization of branches, based on volume of business and other relevant factors.

(v) Prescribe essential academic qualifications, minimum qualification standards and modalities of promotion/recruitment to various categories.

(vi) Undertake visits to foreign countries to interact with investors, depositors and other stakeholders.

(vii) Lay down policy of accountability and responsibility of Bank officials and take action against erring bank officials in conformity with such policy. The policy framework should provide for stringent punishment for all malafide actions but, at the same time, recognize that bona fide errors do occur while making decisions relating to commercial judgement.

(c) No change has been brought in the existing statutory ceiling of 20% FDI in public sector banks. Greater operational autonomy is expected to improve the overall performance of banks including recovery of NPAs.